

**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE JEFFERSON COUNTY CLERK**

**For The Year Ended  
December 31, 2010**

The Auditor of Public Accounts has completed the Jefferson County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Jefferson County Clerk had total receipts of \$164,554,510, which was a \$9,680,476 increase from the prior year. Except for reimbursed expenses in the amount of \$4,018,814 and Metro Government contributions of \$2,646,832, the clerk paid 25% of receipts to the Louisville/Jefferson County Metro Government in the amount of \$3,886,700. This was an increase of \$113,321 from the prior year. In addition, 75% fund operating expenditures increased by \$3,343,652 (including end of term excess fees of \$1,917,251).

#### **Lease Agreements:**

Lease agreements totaled \$167,132 as of December 31, 2010.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS .....	3
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS.....	6
NOTES TO THE FINANCIAL STATEMENTS .....	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Jefferson County, Kentucky and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2010. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2011 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the County Clerk and members of the Louisville/Jefferson County Metro Council, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

July 22, 2011



JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

Libraries and Archives Grant		\$	18,096	
State Fees For Services			266,793	*
Metro Government			2,646,832	*
Licenses and Taxes:				
Motor Vehicle-				
Licenses and Transfers	\$	17,923,234		
Usage Tax		53,942,144		
Tangible Personal Property Tax		52,684,078		
Other-				
Marriage Licenses		147,151		
Affordable Housing Trust		965,934		
Shelter For Spouse Abuse		50,040		
Deed Transfer Tax		2,338,161		
Delinquent Taxes		28,510,294		
Delinquent Taxes (Reimbursed)		30,665	*	156,591,701
Fees Collected for Services:				
Recordings-				
Deeds, Easements, and Contracts		221,208		
Real Estate Mortgages		375,465		
Chattel Mortgages and Financing Statements		1,063,731		
Powers of Attorney		33,828		
Bail Bonds		3,192		
Fee For Library and Archives		115,217		
Tax Liens		229,979		
Extra Pages		1,014,422		
Assignments		30,066		
All Other Recordings		36,128		
Releases		333,986		
Probate		21,390		
Lien Holder Penalties		11,234		
Corporation and Business		44,080		3,533,926

The accompanying notes are an integral part of the financial statements

JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

Revenues (Continued)

Other:

Candidate Filing Fees	\$	17,780	
Interest Income		34,059	
Legal Records - Clerk Expense		18	
Legal Records - Clerk Expense (Reimbursed)		322,097	*
Notary		434,990	*
Phone/Fax		5,360	*
Postage		207,176	*
Tracing		21,387	*
Photosat		15,009	*
Election Center Miscellaneous		1,973	*
Motor Vehicle - Miscellaneous		370,781	
Motor Vehicle - Miscellaneous (Reimbursed)		167	*
Returned Check Fees		28,174	*
Miscellaneous (Reimbursed)		38,191	*
		<u>38,191</u>	<u>\$ 1,497,162</u>

Total Revenues 164,554,510

Expenditures

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	11,697,903	
Usage Tax		52,321,275	
Tangible Personal Property Tax		19,886,554	
Licenses, Taxes, and Fees-			
Delinquent Tax		2,382,609	
Affordable Housing Trust		965,934	
Legal Process Tax		<u>496,002</u>	87,750,277

Payments to Metro Government:

Tangible Personal Property Tax	6,092,615	
Delinquent Tax	5,467,480	
Deed Transfer Tax	<u>2,221,253</u>	13,781,348

The accompanying notes are an integral part of the financial statements

JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

Expenditures (Continued)

Payments to Other Districts:

Tangible Personal Property Tax	\$ 24,597,549	
Delinquent Tax	<u>12,272,905</u>	\$ 36,870,454

Payments to Sheriff		2,186,607
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Payments to County Attorney		3,913,789
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Operating Expenditures:

Other Charges-		
Bankcard Processing		468,323

Library and Archives Grant		<u>18,096</u>
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Total Expenditures		<u>\$ 144,988,894</u>
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Net Revenues		19,565,616
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Payments to State Treasurer:

75% Operating Fund	15,678,916	
25% Metro Fund	<u>3,886,700</u>	<u>19,565,616</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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\* Includes reimbursed expenses in the amount of \$4,018,814 for the audit period.  
See Note 1 of Notes to Financial Statements.

JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2010

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2010	\$ 1,501,496	\$ 281,684	\$ 1,783,180
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	15,678,916		15,678,916
Fees Paid to State - Metro Funds (25%)		3,886,700	3,886,700
Total Funds Available	17,180,412	4,168,384	21,348,796
<u>Expenditures</u>			
Louisville/Jefferson County Metro Government	\$ 1,917,251	\$ 4,168,384	\$ 6,085,635
Officials Statutory Maximum	108,720		108,720
Official's Incentive Pay	3,624		3,624
County Clerk's Expense Allowance	3,600		3,600
Personal Services-			
Deputies Salaries	8,491,123		8,491,123
Seasonal Salaries	80,743		80,743
Overtime	55,455		55,455
Employee Cash Out	39,970		39,970
Employee Benefits-			
Employer's Share Social Security	623,860		623,860
Employer's Share Retirement	1,444,113		1,444,113
Employer's Paid Health Insurance	1,300,303		1,300,303
Employee Assistance Program	6,143		6,143
Workers Compensation Insurance	37,407		37,407
Unemployment Insurance	33,264		33,264
Occupancy-			
Rent	77,760		77,760
Telephone	89,745		89,745
Utilities	16,940		16,940
Mileage and Gasoline - Delivery	27,484		27,484
Maintenance and Repairs	287,000		287,000
Services-			
Personal Services Contract	181,319		181,319
Security Services	106,249		106,249

The accompanying notes are an integral part of the financial statements

JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2010  
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures (Continued)</u>			
Services-(Continued)			
Janitorial	\$ 77,421	\$	\$ 77,421
Pager Service	1,744		1,744
Printing	294,882		294,882
Advertising	204,890		204,890
Election Worker Payments	558,935		558,935
Supplies-			
Postage	209,781		209,781
Office Expense	261,016		261,016
Rental/Leases-Equipment	71,221		71,221
Automotive Rental	8,186		8,186
Meetings	7,722		7,722
Seminars	4,254		4,254
Tuition	2,878		2,878
Other Operating-			
Insurance and Bonds	33,641		33,641
Notary Bonds	1,125		1,125
Memberships Dues	19,200		19,200
Subscriptions	12,978		12,978
Capital Outlay-			
Furniture and Fixtures	23,051		23,051
Remolding and Renovations	10,454		10,454
Office Equipment	41,894		41,894
Computer Software	210,416		210,416
Computer Equipment	229,079		229,079
Accounting System Project	(70,500)		(70,500)
Vehicles	34,071		34,071
Total Expenditures	17,180,412	4,168,384	21,348,796
Fund Balance - December 31, 2010	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2010

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months of service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2010  
 (Continued)

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$18,388 and matching funds of \$18,388. Funds totaling \$18,096 were expended during the year. The unexpended grant balance was \$292 as of December 31, 2010.

Note 5. Lease Agreements

Commitments to the following lease agreements as of December 31, 2010 were:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2010
Postage Machine	\$ 925	48 Months	9/1/2011	\$ 8,325
Postage Machine	190	60 Months	7/1/2014	7,980
Cash Link Machines	2,120	60 Months	8/1/2015	118,709
Copiers (3)	110	36 Months	3/31/2011	990
Copiers (8)	110	36 Months	4/30/2011	3,520
Copier	476	60 Months	11/1/2015	27,608
Totals				<u>\$ 167,132</u>



JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010  
(Continued)

Note 6. Going Out of Business Account

This account is used for companies who must post a bond when they have a going out of business sale. After the sale the bond may be released to the company. The account had receipts of \$32 and disbursements of \$6 for calendar 2010. The account had a balance of \$18,970 as of December 31, 2010.

Note 7. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 Bankruptcy Trustee. The payments from the trustee are for tangible property tax due the state or clerk or for delinquent property tax owed. The account had receipts of \$38 and disbursements of \$44 for calendar year 2010. The account had a balance of \$79,150 as of December 31, 2010.

Note 8. Delinquent Tax Escrow Account

This account is used to account for funds received when a third party purchases a delinquent tax bill and a property owner comes in to pay the delinquent bill and they cannot contact the third party purchaser of the tax bill. The account had receipts of \$213 and disbursements of \$0 for calendar year 2010. The account had a balance of \$7,455 as of December 31, 2010.

Note 9. Discretionary Account

The Clerk has established a discretionary fund as provided by KRS 64.345. This account is to cover additional expenses related to employee training, retirements, and extraordinary office expenses in amounts authorized by the approving authority. The account had \$32 in receipts, expenditures of \$160, and an ending balance of \$29,301 as of December 31, 2010.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Fischer, Mayor Louisville/Jefferson County Metro Government  
Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Jefferson County Clerk for the year ended December 31, 2010, and have issued our report thereon dated July 22, 2011. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Louisville/Jefferson County Metro Council, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

July 22, 2011

